



United States
Department of
Agriculture

Rural
Housing
Service

Oregon AN No. 1235(1980)

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August 27, 2002

SUBJECT: Guaranteed Rural Housing (GRH) Program
New Construction Inspections and Compliance

TO: Rural Development Managers
Rural Development
Oregon

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance on Section 1980.340 (b) and (c) of RD Instruction 1980-D dealing with standards of financing a new dwelling with a loan guarantee.

COMPARISON WITH PREVIOUS AN:

This AN replaces Oregon AN 1199(1980) issued March 12, 2001.

IMPLEMENTATION RESPONSIBILITIES:

Sections 1980.340(b) require that new construction be built in accordance with building plans and specifications and conform to RD thermal standards.

When a request for guarantee involves a proposed, under construction and existing less than one-year-old property, the Lender must see that the footing, framing and final inspections are made and evidence obtained. Inspections shall be done by a party the Lender determines to be qualified such as a HUD/FHA Inspector. The local authority construction inspections performed by the building municipality also meet the Lender required inspections indicated. Footing and framing inspections are not required when the builder supplies an insured 10-year warranty plan acceptable by RD.

To comply with Section 1980.340(b)(2), Lenders must obtain a copy of a building permit. This satisfies the conformance for thermal standards set forth in Section 1980.340(b)(2)(i) as the State

EXPIRATION DATE:
August 30, 2003

FILING INSTRUCTIONS:
Proceeding RD Instruction 1980-D

USDA is an equal opportunity lender, provider and employer.
Complaints of discrimination should be sent to:
USDA, Director, Office of Civil Rights, Washington, DC 20250-9410

of Oregon thermal requirements meet or exceed part 1924 of RD Instruction. The review performed by the permit issuing governmental body satisfies the requirement to obtain an engineer or architect certification of the plans noted at Section 1980.340(b)(2)(ii).

The Lender is responsible for seeing that a One-Year Builder's Warranty is issued to the purchaser. The agreement should be signed and dated by the builder upon transfer of title. The builder may utilize RD Form 1924-19, "Builders Warranty", which can be obtained in a fillable format through the Internet at: <http://forms.sc.egov.usda.gov/efrms/formsearchservlet> or by accessing the RD regulation website at: <http://rdinit.usda.gov/regs/forms/1924-19.pdf>. Form HUD-92544, "Warranty of Completion of Construction" (a fillable form at: http://www.hudclips.org/sub_nonhud/html/pdf/forms/92544.pdf) or any other binding form deemed reasonable to warrant the home for the period indicated can also be utilized. A sample Form 1924-19 and form HUD-92544 is attached for reference.

The following summarizes the Lender's responsibilities involving newly constructed dwellings:

New Construction Compliance:

1. Copy - Building Permit
2. Inspections: (Local Authority Can Perform)
 - ◆ Footing Inspection
 - ◆ Framing Inspection
 - ◆ Final Inspection
3. One-Year Builders Warranty

If you have any questions regarding this Administrative Notice (AN), please feel free to contact Single Family Housing at (503) 414-3335.



LYNN SCHOESSLER
State Director

Attachments

BUILDER'S WARRANTY

Names and Address of Purchasers or Owners

Property

For good and valuable consideration, the undersigned Warrantor hereby warrants to the Purchasers or Owners identified above and to the successors or transferees, all of whom are hereinafter referred to as Owners that:

The building, including appurtenances located on the property identified above, is constructed or improved in substantial conformity with the drawings and specifications which have been accepted in writing by the respective USDA Agency. This warranty applies to all workmanship, materials, and the installation of equipment (including, but not limited to, the heating system, water heater, ranges and refrigerator).

The Owners shall give written notice to the Warrantor promptly after the discovery of any defective condition. Such written notice must be given to the Warrantor during the period of warranty. The period of warranty shall be (a) in the case of new construction or rehabilitation, one year from the date of initial occupancy of the completed or rehabilitated building, or (b) in the case of improvements made to an existing building owned by the Owners prior to the improvements being made, one year from the date of the completion of the work.

It is agreed and understood that this warranty shall apply only to those defective conditions of which the Warrantor has been given written notice during the period of warranty.

Warrantor further agrees that warrantor will take any necessary actions to correct such defective conditions within _____ days of receipt of written notice. If such action is not taken within _____ days, the Owners may, at their option, contract with another party for the correction of the defects. Warrantor agrees to pay any expenses incurred by the Owners to correct defects covered by this warranty.

This warranty shall be in addition to, and in no way reduce, all other rights and privileges which such Owners may have under any other law or instrument, and shall be binding on the Warrantor notwithstanding any provision to the contrary contained in the contract of purchase or any other instrument executed by the Owners.

This warranty is executed, in part, for the purpose of inducing the United States Department of Agriculture, (USDA) to make, insure, or guarantee a loan on the Property.

If this warranty is signed by anyone other than the Warrantor, the person signing for the Warrantor represents and certifies that the person is authorized to execute same by the Warrantor and by the person's signature the Warrantor is bound under the terms and conditions of this warranty

- NOTES: A. The warrantor must complete all three copies except dates, meet with owner to agree on notification period, sign and give to the Owner with the final request for payment.
Owner must meet with Warrantor to agree on warranty notification period and to date and sign the warranty, owner must retain original, and forward one copy to contractor, and one to the respective USDA Agency with the final request for payment.
- B. This warranty shall be required in all cases involving new construction or rehabilitation of buildings including those built under contract, those built for sale without the respective USDA Agency's required construction inspections and those under conditional commitment procedures.

WARNING

Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully . . . makes any false, fictitious or fraudulent statements or representation, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined not more than \$250,000 or imprisoned not more than five years, or both."

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0042. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

In addition to the preceding warranty, the following items are covered by a company warranty or guarantee as follows:

| Item | Serial & Model No. | Name and Address of Company | No. Yrs. or Mos. of Warranty |
|-------------------|--------------------|-----------------------------|------------------------------|
| Heating System | | | |
| Kitchen Range | | | |
| Water Heater | | | |
| Refrigerator | | | |
| Manufactured Home | | | |
| Other | | | |
| Other | | | |

NOTICE TO OWNERS: ANY NOTICE OF DEFECTIVE WORKMANSHIP, MATERIALS OR NONCONFORMITY MUST BE DELIVERED TO THE WARRANTOR NO LATER THAN

(Warrantor shall insert date one (1) year from initial occupancy, date of conveyance of title or date of completion, whichever is applicable.) All plastic pipe used in this job will carry a 5-year warranty from the date shown by the Warrantor above.

We have furnished the above company warranties or guarantees to the Owners for their use. If this warranty covers a manufactured home, we certify that the manufactured home property substantially complies with the plans and specifications and the manufactured home sustained no hidden damage during transportation and, if manufactured in separate sections, that the sections were properly joined and sealed according to the manufacturer's specifications.

The Warrantor has signed this warranty this _____ day of _____, _____.

_____(Warrantor's Address) _____(SEAL)
Warrantor (Signature & Title)

Receipt of this warranty is acknowledged this _____ day of _____, _____.

Owner(s)

Warranty of Completion
of Construction

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0059

This information is required to obtain a HUD-insured single family mortgage. Public reporting burden for this collection of information is estimated to average 3 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, completing and reviewing the collection of information. This agency may not conduct or sponsor, and you are not required to respond to, a collection of information unless that collection displays a valid OMB control number.

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| Lender's Name, Address and Phone Number (Include Area Code) | Name(s) of Purchaser/Owner |
| FHA/VA Case Number | Property Address |

For good and valuable consideration, and in accordance with Section 801 of the Housing Act of 1954, and Public Law 85-857 (38 U.S.C. 3705), the undersigned Warrantor hereby warrants to the Purchaser(s) or Owner(s) identified in the caption hereof, and to his/her successors or transferees, that:

The dwelling located on the property identified in the caption hereof is constructed in substantial conformity with the plans and specifications (including any amendments thereof, or changes and variations therein) which have been approved in writing by the Federal Housing Commissioner or the Secretary of Veterans Affairs on which the Federal Housing Commissioner or the Secretary of Veterans Affairs based the valuation of the dwelling: **Provided, however,** That this warranty shall apply only to such instances of substantial nonconformity as to which the Purchaser(s)/ Owner(s) or his/her (their) successors or transferees shall have given written notice to the Warrantor at any time or times within one year from the date of original conveyance of title to such Purchasers(s)/Owner(s) or the date of initial occupancy, whichever first occurs: **Provided further, however,** That in the event (1) the Purchaser(s)/Owner(s) acquired title to the captioned property prior to the completion of construction of the dwelling thereon, such notice of nonconformity to the Warrantor may be given any time or times within one year from the date of completion or initial occupancy of such dwelling, whichever first occurs, or (2) where it has been necessary to postpone improvements such notice of nonconformity to the Warrantor as to such incomplete items may be given at any time or times within one year from the date of full completion of each of such items. The term "dwelling" as used herein shall be deemed to include all improvements or appurtenances set forth in the plans and specifications upon which the Federal Housing Commissioner or the Secretary of Veterans Affairs has based the valuation of the property, excepting those constructed by a municipality or other government authority.

The undersigned Warrantor further warrants to the Purchaser(s)/ Owner(s) or his/her (their) successors or transferees, the property against defects in equipment, material, or workmanship and materials supplied or performed by the Warrantor or any subcontractor or supplier at any tier resulting in noncompliance with standards of quality as measured by acceptable trade practices. This warranty shall continue for a period of one year from the date of original conveyance of title to such Purchaser(s) or from the date of full completion of each of any items completed after conveyance of title. The Warrantor shall remedy, at the Warrantor's expense, any defect(s) of equipment, material, or workmanship furnished by the Warrantor. Warrantor shall restore any work damaged in fulfilling the terms and conditions of this warranty.

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| If a manufactured (mobile) home was erected on this property, the Warrantor further warrants that (1) the property (other than the manufactured unit itself) complies with the submitted construction exhibits; (2) the manufactured home sustained no hidden damage during transportation and erection; and (3) if the home was manufactured in separate sections, the sections were properly joined and sealed. | Manufacturer's Name, Address & Phone Number (Include Area Code) |
|---|---|

This warranty shall be in addition to, and not in derogation of, all other rights and privileges which such Purchaser(s)/ Owner(s) or his/her (their) successors or transferees may have under any other law or instrument, and shall survive the conveyance of title, delivery of possession of the property, or other final settlement made by the Purchaser(s)/ Owner(s), and shall be binding on the Warrantor notwithstanding any provision to the contrary contained in the contract of purchase or other writing executed by the Purchaser(s)/ Owner(s) or his/her (their) successors or transferees heretofore or contemporaneously with the execution of this agreement or prior to final settlement.

This warranty is executed for the purpose of inducing the Federal Housing Commissioner or the Secretary of Veterans Affairs to make, to guarantee or to insure a mortgage on the captioned property, and the person signing for the Warrantor represents and certifies that he/she is authorized to execute the same by the warrantor and by his/her signature the Warrantor is duly bound under the terms and conditions of said warranty. The FHA Commissioner or the Secretary of Veterans' Affairs reserves the right to make a final determination as to whether a defect exists and whether the builder must remedy the defect.

| | | | | |
|--------------------------------|-------------------|---|-------------------|-------------------|
| Warrantor Warrantor's Title | | Purchaser(s)' Acknowledgement Signature of Purchaser | | Date (mm/dd/yyyy) |
| Signature | Date (mm/dd/yyyy) | Signature of Purchaser | Date (mm/dd/yyyy) | |
| Builder's Name and Address | | Builder's Phone Number (Include Area Code) | | |

Purchaser Note: Any notice of nonconformity must be delivered to the warrantor within the period or periods set forth above.
Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)
Provide completed copies of this warranty to both the homebuyer and the builder, at closing. Include a copy of this warranty in the case binder when sent to HUD.